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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/648,582	08/25/2000	Clint Ashford	018624	5782

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EXAMINER	
PASS, NATALIE	

ART UNIT	PAPER NUMBER
3626	

DATE MAILED: 04/06/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/648,582	ASHFORD ET AL.	
	Examiner	Art Unit	
	Natalie A. Pass	3626	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *27 January 2005*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-3,7-9,16,17 and 55* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-3,7-9,16,17 and 55* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Notice to Applicant

1. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 27 January 2005 has been entered.

2. This communication is in response to the Request for Continued Examination and amendment filed 27 January 2005. Claims 1-2, 8, 16-17, and 55 have been amended. Claims 4-6, 10-15, 18-30, 56-58 have been cancelled. Claims 31-54 have been withdrawn. Claims 1-3, 7-9, 16-17, and 55 remain pending.

Claim Rejections - 35 USC § 112

3. The rejection of claims 4 and 58 under 35 U.S.C. 112, second paragraph is hereby withdrawn due to the amendment filed 27 January 2005.

Claim Rejections - 35 USC §101

4. The rejection of claims 1-13, 18-30, 56-57 under 35 U.S.C. 101 is hereby withdrawn due to the amendment filed 27 January 2005. Further reasons appear hereinbelow.

(A) In light of the amendments to claim 1, which include the added recitation of "executed in a first computer" in the preamble, each and every one of the steps recited in claim 1, that is, the receiving step, the creating step, the determining step, etc., are seen to be performed or "executed" by the first computer, thus causing claim 1 to be statutory.

(B) Claims 2-3, 7-9 incorporate the features of independent claim 1 through dependency, and are also statutory.

(C) Claims 4-6, 10-13, 18-30, 56-57 have been cancelled, as noted above, therefore the rejection under 35 U.S.C. 101 is moot.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the m3anner in which the invention was made.

6. Claims 1-3, 7, 16, 55 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kessler et al., U.S. Patent Number 5, 324, 077 in view of Bitran, et al, Provider Incentives and Productive Efficiency in Government Health Services document, September, 1992. URL: <http://www.phrplus.org/Pubs/hfsmar1.pdf>, hereinafter known as Bitran.

(A) Claim 1 has been amended to include the recitation of

- "[...] executed in a first computer operated by an incentive administrator that is coupled over a computer network to a second computer operated by a payer and a third computer operated by a healthcare provider [...]" at lines 1-3 in the preamble;
- "[...] payable to the healthcare provider upon completion [...]" at lines 5-6 in the preamble;
- "[...] receiving over the computer network from the payer a diagnosis of the patient [...]" at lines 8-9;
- "[...] and provided by the healthcare provider to the payer [...]" at line 10;
- "[...] creating a baseline value related to treatment of the condition [...]" at line 13;
- "[...] thus resulting in a cost savings [...]" at line 20;
- "[...] causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive [...]" at lines 21-22; and
- "[...] determining a portion of the cost savings to be retained by the incentive administrator [...]" at line 23.

(A) As per newly amended claim 1, Kessler teaches a computer-implemented method, executed in a first computer operated by an incentive administrator that is coupled over a computer network to a second computer operated by a payer and a third computer operated by a healthcare provider, of providing a monetary incentive payable to the healthcare provider upon completion of a course of treatment for a patient with a condition during an episode of care, the method comprising the steps of:

receiving over the computer network from the payer a diagnosis of the patient performed by the healthcare provider and provided by the healthcare provider to the payer (Kessler; Figure 1, column 8, lines 29-33, column 14, lines 49-64);

creating an "ambulatory visit" (reads on "episode of care") based upon the diagnosis of the healthcare provider and a decided course of treatment (Kessler; column 4, lines 60-67, column 14, lines 49-52);

creating a "dollar limit" (reads on "baseline value") related to treatment of the condition (Kessler; column 13, lines 15-33);

associating the "dollar limit" (reads on "baseline value") to the episode of care (Kessler; column 13, lines 15-33);

summing a plurality of claims processed during the episode of care of the patient for the condition to obtain a full cost of the ambulatory visit (reads on total treatment cost) (Kessler; column 4, lines 25-28);

Kessler fails to explicitly disclose

determining if the total treatment cost is less than the baseline value, thus resulting in a cost savings;

causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive; and

determining a portion of the cost savings to be retained by the incentive administrator.

However, the above features are well-known in the art, as evidenced by Bitran.

In particular, Bitran teaches

determining if the total treatment cost is less than the capitation level (reads on baseline value), thus resulting in a cost savings (Bitran; page 31, paragraph 4);

causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive (Bitran; page 31, paragraph 4); and

determining a portion of the cost savings to be retained by the incentive administrator (Bitran; page 34, paragraph 3 to page 35, paragraph 1).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of Kessler to include determining if the total treatment cost is less than the baseline value, thus resulting in a cost savings; causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive; and determining a portion of the cost savings to be retained by the incentive administrator, as taught by Bitran, with the motivations of significantly improving cost effectiveness and physician utilization through the use of private sector incentive schemes such as the use of financial incentives linking individual incomes to reductions in costs (Bitran; page 31, paragraph 3, page 34, paragraph 1, paragraph 4).

(B) Claim 2 has been amended to include the recitation of "from the cost savings" in line 3.

As per claims 2-3, 7, Kessler and Bitran teach a method as analyzed and discussed in claim 1 above

wherein the patient is associated with a health care organization such as government heath services and the step of determining determines another monetary incentive to provide to the health care organization from the cost savings as a function of the extent to which specific targets are exceeded (reads on if the total treatment cost is less than the baseline value) (Bitran; page 18, paragraph 1, lines 1-3, paragraph 3).

wherein the health care organization is associated with a worker (reads on incentive administrator), and the step of determining determines a further monetary incentive to provide to the worker/incentive administrator if the total treatment cost is less than the baseline value (Bitran; page 13, paragraph 3 to page 15, paragraph 5, page 18, paragraph 1, lines 1-3, paragraph 3); and

wherein during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition and the step of associating the baseline value further includes the step of adjusting the dollar limit (reads on baseline value) to account for the additional condition (Kessler; column 13, lines 15-33).

The motivations for combining the respective teachings of Kessler and Bitran are as given in the rejection of claim 1 above, and incorporated herein.

(C) As per claim 16, Kessler and Bitran teach a method as analyzed and disclosed in claim 1 above:

where the step of creating the dollar limit (reads on baseline value) establishes the baseline value using a plurality of data relating to a plurality of previous episodes of care for the same condition (Kessler; column 13, lines 15-33).

(D) The amended limitations in claim 55 differ from the amended limitation in claim 1 in that, claim 1 contains a method recited as a series of function steps whereas claim 55 contains features recited in a "means-plus-function" format. As the amended method of claim 1 has been shown to be obvious in view of the combined teachings of Kessler and Bitran, it is readily apparent that the "means" to accomplish those method steps is obvious in view of the listed citations of the prior art. As such, the amended limitations recited in claim 55 are rejected for the same reasons given above for amended claim 1, and incorporated herein.

The motivations for combining the respective teachings of Kessler and Bitran are as given in the rejection of claim 1 above, and incorporated herein.

7. Claims 8-9 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kessler et al., U.S. Patent Number 5, 324, 077 in view of Bitran, et al, Provider Incentives and Productive Efficiency in Government Health Services document, September, 1992. URL: <http://www.phrplus.org/Pubs/hfsmar1.pdf>, hereinafter known as Bitran, as applied to claims 1 and 7 above, and further in view of Spiro, U.S. Patent Number 5, 819, 228.

(A) As per claim 8, Kessler and Bitran teach a method as analyzed and disclosed in claims 1 and 7 above

including determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the baseline value (Bitran; see at least page 18, paragraph 3, page 24, paragraph 5, page 29, paragraph 2, page 31, paragraph 4).

Kessler and Bitran fail to explicitly disclose

wherein the additional condition creates another episode of care and further including the steps of:

associating another baseline value related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition;

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost; and

determining another monetary incentive to provide to the healthcare provider if the another total treatment cost is less than the another baseline value.

However, the above features are well-known in the art, as evidenced by Spiro.

In particular, Spiro teaches

associating another relative value unit (reads on baseline value) related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition (Spiro; Figure 9, column 2, line 47 to column 3, line 30, column 7, lines 15-26, column 9, lines 14-61); and

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost (Spiro; column 7, lines 24-55, column 9, line 30 to column 10, line 25).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the collective teachings of Kessler and Bitran to include associating another baseline value related to the treatment of the additional condition, the another baseline value being adjusted to account for the condition; summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost, as taught by Spiro, with the motivations of most efficiently utilizing the test procedures available without ordering or requiring unnecessary or questionable tests and minimize unnecessary procedures by providing incentive for providers of medical services (Spiro; column 2, lines 36-43).

The motivations for combining the respective teachings of Kessler and Bitran are as given in the rejection of claim 1 above, and incorporated herein.

(B) As per claim 9, Kessler, Bitran and Spiro teach a method as analyzed and disclosed above:

wherein during the treatment of the patient for the condition during the episode of care the patient encounters an additional condition that creates another episode of care (Spiro; Figure 9, column 3, lines 1-11, column 7, lines 15-22, column 9, lines 14-61) and further including the steps of:

associating another baseline value related to the treatment of the additional condition (Spiro; see at least Abstract, Figure 9, column 3, lines 1-11, column 7, lines 15-22, column 9, lines 14-61);

summing another plurality of claims processed for the another episode of care of the patient for the additional condition to obtain another total treatment cost (Spiro; column 7, lines 24-55, column 9, line 30 to column 10, line 25); and

determining another monetary incentive to provide to the provider if the another total treatment cost is less than the another prespecified cost containment goals (reads on baseline value) (Bitran; see at least page 18, paragraph 3, page 24, paragraph 5, page 29, paragraph 2);

The motivations for combining the respective teachings of Kessler, Bitran and Spiro are as given in the rejection of claims 1 and 8 above, and incorporated herein.

8. Claim 17 is rejected under 35 U.S.C. 103(a) as being unpatentable over Spiro, U.S. Patent Number 5, 819, 228 and Bitran, et al, Provider Incentives and Productive Efficiency in Government Health Services document, September, 1992. URL: <http://www.phrplus.org/Pubs/hfsmar1.pdf>, hereinafter known as Bitran as applied to claims 1 and 16 above, and further in view of Seare, U.S. Patent Number 5, 557, 514.

(A) As per claim 17, Spiro and Bitran teach a method as analyzed and disclosed in claims 1 and 16 above.

Spiro and Bitran fail to explicitly disclose a method wherein prior to the step of creating the baseline is the step of filtering to remove outlier episodes of care for the same condition to thereby establish the plurality of data relating to a plurality of previous episodes of care for the same condition.

However, the above features are well-known in the art, as evidenced by Seare.

In particular, Seare teaches a method including the step of filtering to remove outlier episodes of care (Seare; see at least Figure 14, column 4, lines 39-43, column 8, line 49 to column 9, line 20, column 12, lines 49-67, column 21, lines 37-43, column 24, lines 3-12).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the collective teachings of Spiro and Bitran to include the step of filtering to remove outlier episodes of care, as taught by Seare, with the motivations of analyzing historical medical provider billings to statistically establish a normative profile, enabling comparison of a medical provider's profile with a normative profile, creating an accurate model of the cost of a specific medical episode based on historical treatment patterns and a fee schedule, enabling comparison of various treatment patterns for a particular diagnosis by treatment cost and patient outcome to determine the most cost-effective treatment approach, and identifying those medical providers who provide treatment that does not fall within the statistically established treatment patterns or profiles (Seare; Abstract).

Response to Arguments

9. Applicant's arguments filed 27 January 2005 have been fully considered but they are not persuasive. Applicant's arguments will be addressed hereinbelow in the order in which they appear in the response filed 27 January 2005.

At pages 9- 10 of the 27 January 2005 response Applicant argues that the features in the Application are not taught or suggested by the applied references. In response, all of the limitations which Applicant disputes as missing in the applied references, including the newly added features in the 27 January 2005 amendment, have been fully addressed by the Examiner as

either being fully disclosed or obvious in view of the collective teachings of Kessler, Bitran Spiro, and Seare, based on the logic and sound scientific reasoning of one ordinarily skilled in the art at the time of the invention, as detailed in the remarks and explanations given in the preceding sections of the present Office Action and in the prior Office Action (paper number 09082004), and incorporated herein. In particular, Examiner notes that the recited features of determining if the total treatment cost is less than the baseline value, thus resulting in a cost savings; causing a portion of the cost savings to be sent to the healthcare provider in the form of the monetary incentive; and determining a portion of the cost savings to be retained by the incentive administrator are taught by the combination of applied references. In particular, please note that Bitran teaches "the government subcontracted the management of its own employees to a [separate] non-profit, non-governmental organization" and "PROSALUD received the other 50 percent" (Bitran; page 34, paragraph 3 to page 35, paragraph 1) and "[i]f physicians' actual costs were below the capitation levels, the physicians were allowed to keep the profits" (Bitran; page 31, paragraph 4), as specifically applied in the rejections given above and incorporated herein. Examiner interprets these teachings as reading on the argued limitations.

With regard to applicants argument that the applied references do not teach or suggest the newly amended limitations of "receiving over the computer network from the payer a diagnosis of the patient performed by the healthcare provider and provided by the healthcare provider to the payer" and "creating an episode of care based upon the diagnosis of the healthcare provider and a decided course of treatment" and "creating a baseline value related to treatment of the condition" and "associating the baseline value to the episode of care" Examiner notes that this argument is moot in light of the newly applied references.

Conclusion

10. The prior art made of record and not relied upon is considered pertinent to Applicant's disclosure. The cited but not applied references Costello, United States Patent Application Publication Number 2002/0022972, Campbell et al., United States Patent Number 6, 208, 974, Iliff, United States Patent Number 6, 022, 315, Boyer, et al., United States Patent 6, 208, 973, Lockwood et al., United States Patent Number 5, 845, 254 and the articles teach the environment of reducing medical costs by assessing performance and providing incentives to physicians.

Friedman, H. Appeals Court Rejects IRS Inurement Argument; IRS Approves 'Gainsharing' Programs. March 1999. Greenberg Traurig Alert. [Retrieved March 30, 2005]. Retrieved from Internet. URL: <http://www.gtlaw.com/pub/alerts/1999/friedman99a.pdf>.

Washlick, J. Physician-Hospital Gainsharing Arrangements. October 1999. Physician's News Digest. [Retrieved March 29, 2005]. Retrieved from Internet. URL: <http://www.physiciansnews.com/law/1099.html>.

11. Any response to this action should be mailed to:

Commissioner of Patents and Trademarks
Washington D.C. 20231

or faxed to: **(703) 305-7687.**

For informal or draft communications, please label "PROPOSED" or "DRAFT" on the front page of the communication and do NOT sign the communication.

After Final communications should be labeled "Box AF." Hand-delivered responses should be brought to Crystal Park 5, 2451 Crystal Drive, Arlington, VA, Seventh Floor (Receptionist).

12. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Natalie A. Pass whose telephone number is (703) 305-3980. It should be noted that during the month of April 2005, the examiner's phone number will change to (571) 272-6774, however the current phone number will remain in service until the change takes place. The examiner can normally be reached on Monday through Thursday from 9:00 AM to 6:30 PM. The examiner can also be reached on alternate Fridays.

13. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas, can be reached at (703) 305-9588. It should be noted that during the month of April 2005, Joseph Thomas' phone number will change to (571) 272-6776, however the current phone number will remain in service until the change takes place. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Receptionist whose telephone number is (703) 308-1113.

14. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

NP

Natalie A. Pass

April 1, 2005

ALEXANDER KALINOWSKI
PRIMARY EXAMINER